

**Mason Township  
Arenac County, Michigan  
Financial Report  
With Supplemental Information  
June 30, 2004**

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

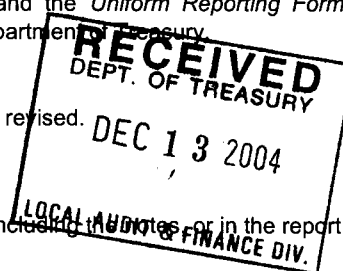
Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>MASON TOWNSHIP</b>	County <b>ARENAC</b>
Audit Date <b>6/30/04</b>	Opinion Date <b>11/30/04</b>	Date Accountant Report Submitted to State: <b>12/9/04</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including in the report of comments and recommendations



You must check the applicable box for each item below.

- |   |   |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

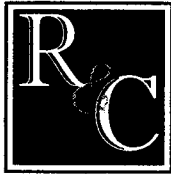
**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			<input checked="" type="checkbox"/>
Reports on individual federal financial assistance programs (program audits).			<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).			<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name) <b>ROBERTSON &amp; CARPENTER, CPAs, LLP</b>			
Street Address <b>103 E MAIN STREET, PO BOX 69</b>	City <b>ROSE CITY</b>	State <b>MI</b>	ZIP <b>48654</b>
Accountant Signature <i>Robertson Carpenter, CPAs, LLP</i>		Date <b>12/9/04</b>	

Mason Township  
Table of Contents

	<u>Page</u>
<b>Report Letter</b>	1-2
<b>Management's Discussion and Analysis</b>	3-8
<b>Basic Financial Statements</b>	
Government-wide Financial Statements:	
Statement of Net Assets	9
Statement of Activities	10
Fund Financial Statements:	
Governmental Funds:	11
Balance Sheet	
Statement of Revenues, Expenditures and Changes in Fund Balances-	12
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	13
Fiduciary Funds:	
Statement of Net Assets	14
Statement of Changes in Net Assets	15
Notes to Financial Statements	16-23
<b>Required Supplemental Information</b>	
Budgetary Comparison Schedule - General Fund	24



Rodney C. Robertson, CPA  
Robert J. Carpenter, CPA

## ROBERTSON & CARPENTER, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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Phone (989) 685-2411 • Fax (989) 685-2412

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### INDEPENDENT AUDITOR'S REPORT

Township Board  
Mason Township  
Arenac County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mason Township as of and for the year ended June 30, 2004, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Mason Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Mason Township as of June 30, 2004, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of June 30, 2004.

The management's discussion and analysis and budgetary comparison information on page 3 through page 8 and page 24 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Robertson & Carpenter, LLP, CPAs*

Robertson & Carpenter LLP  
Certified Public Accountants  
November 30, 2004

## Management's Discussion and Analysis

As management of Mason Township (the "Township"), we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended June 30, 2004.

### Financial Highlights

- The assets of the Township exceeded its liabilities at the close of the most recent fiscal year by \$254,041 (*net assets*). Of this amount, \$226,934 (*unrestricted net assets*) may be used to meet the Township's ongoing obligations
- The Township's total net assets decreased by \$4,250.
- As of the close of the current fiscal year, the Township's general fund, the only governmental fund, reported an ending fund balance of \$226,934, a decrease of \$5,536 in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$226,934 or 227% percent of total general fund expenditures.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements comprise three components: 1) Government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *Government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *statement of activities* presents information showing how the Township's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the Government-wide financial statements present functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the Township include general government, public safety, public works, and recreation and culture. The Township does not have any business-type activities as of and for the year ended June 30, 2004.

The Government-wide financial statements can be found on pages 9-10 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into two categories: governmental funds and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the Government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a Township's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the Government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Township maintains one governmental fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund.

The Township adopts an annual appropriated budget for its general fund. Budgetary comparison statements or schedules have been provided for the General Fund herein to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 11-12 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are *not* reflected in the Government-wide financial statements because the resources of those funds are *not* available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 14 and 15 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 16-24 of this report.

### **Government-wide Financial Analysis**

*[Because this is the first year of implementation of Governmental Accounting Standards Board Statement No. 34, which requires this new reporting model, the following tables present only current year data. In future years, when prior-year information is available, comparative analysis of Township-wide data will be presented.]*

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Township, assets exceeded its liabilities by \$254,041 at the close of the most recent fiscal year.

A portion of the Township's net assets (11%) reflects its investment in capital assets (e.g., land, buildings, vehicles, and equipment); less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to the community; consequently, these assets are *not* available for future spending.

### **Township's Net Assets**

		<b><u>Governmental Activities</u></b>
Current and Other Assets	\$	230,995
Capital Assets, Net		<u>27,107</u>
Total Assets	\$	258,102
Current Liabilities		<u>4,061</u>
Total Liabilities	\$	4,061
Net Assets:		
Invested in Capital Assets, Net of Related Debt		27,107
Unrestricted		<u>226,934</u>
Total Net Assets	\$	<u><u>254,041</u></u>



The Township's net assets decreased by \$4,250 during the current fiscal year. Unrestricted net assets—the part of net assets that can be used to finance day to day operations, decreased by \$4,250 or 16%, during fiscal year 2004.

### Township's Changes in Net Assets

	<b><u>Governmental Activities</u></b>
<b>Revenue:</b>	
Program Revenue:	
Charges for services	\$ 650
Operating Grants and Contributions	0
General Revenue:	
Property Taxes	16,324
State-Shared Revenues	68,196
Interest and Rent Earnings	4,196
Other	<u>5,130</u>
<b>Total Revenue</b>	<b>\$ 94,496</b>
<b>Expenses:</b>	
General Government	\$ 56,334
Public Safety	27,765
Public Works	14,304
Recreation and Culture	<u>343</u>
<b>Total Expenses</b>	<b>\$ <u>98,746</u></b>
<b>Decrease in Net Assets</b>	<b>4,250</b>
Net Assets, Beginning of Year	<u>258,291</u>
<b>Net Assets, End of Year</b>	<b>\$ <u><u>254,041</u></u></b>

**Governmental activities.** The Township's total governmental revenues increased by \$2,917 from last fiscal year. This was primarily attributed to additional revenue from the State of Michigan to offset costs incurred from summer tax collection by the Township. Expenses increased by \$10,688. The increase was primarily due to increased fire protection and road maintenance expenses.

### Financial Analysis of the Government's Funds

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$226,934, a decrease of \$5,536 in comparison with the prior year. The *unreserved fund balance*, which is available for spending at the Township's discretion, constitutes 100% of this total amount.

The only governmental fund is the General Fund of the Township. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance and total fund balance each represent approximately 227% of total general fund expenditures.

The fund balance of the General Fund decreased by \$5,536 during the current fiscal year.

### **General Fund Budgetary Highlights**

The Township's budgets are prepared in accordance with Michigan Law. The only budgeted fund is the General Fund. The General Fund budget was not amended during the year.

### **Capital Asset and Debt Administration**

**Capital assets.** The Township's investment in capital assets for its governmental activities as of June 30, 2004, amounted to \$27,107 (net of accumulated depreciation). Investment in capital assets includes land, buildings, vehicles and equipment. Additions totaled \$2,801 for the fiscal year.

#### **Township's Capital Assets** (net of depreciation)

Land and land improvements	\$	3,045
Buildings		18,437
Furniture and Equipment		<u>5,625</u>

<b>Total</b>	<b>\$</b>	<b><u>27,107</u></b>
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Additional information on the Township's capital assets can be found in note 5 on page 22 of this report.

## **Factors Bearing on the Township's Future**

The following factors were considered in preparing the Township's budget for the 2004-2005 fiscal year:

- The State of Michigan has made significant cuts in their operating budgets due to a downturn in the economy. For 2003-2004, the Township received \$68,196 in state shared revenue, representing 72% of the revenues in the General Fund. The amounts of state shared revenues for future periods are uncertain and will affect the Township's budgets. Our budgets were prepared with these factors in mind and will need to be revised as needed.

## **Requests for Information**

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Mason Township  
Supervisor's Office  
1225 Maple Ridge Road  
Twining, Michigan 48766

Mason Township  
Statement of Net Assets  
June 30, 2004

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and cash equivalents (Note 3)	\$ 219,716
Receivables:	
Receivable-other (Note 4)	768
Other governmental units:	
Other (Note 4)	10,511
Capital assets-net	<u>27,107</u>
Total assets	<u>258,102</u>
 <b>Liabilities</b>	
Accounts payable	875
Accrued and other liabilities	460
Deferred revenue (Note 4)	<u>2,726</u>
Total liabilities	<u>4,061</u>
 <b>Net Assets</b>	
Invested in capital assets, net of related debt	27,107
Unrestricted	<u>226,934</u>
Total net assets	<u>\$ 254,041</u>

See accompanying notes to financial statements.

Mason Township  
Statement of Activities  
Year ended June 30, 2004

Functions/Programs	Expenses	Program Revenues		Governmental
		Charges for	Operating	Activities
		Services	Grants	Net (Expense)
				Revenue and
				Changes in
				Net Assets
<b>Governmental Activities</b>				
General government	\$ 56,334	\$ 650	\$ -	\$ (55,684)
Public safety	27,765	-	-	(27,765)
Public works	14,304	-	-	(14,304)
Recreation and culture	343	-	-	(343)
<b>Total governmental activities</b>	<b>\$ 98,746</b>	<b>\$ 650</b>	<b>\$ 0</b>	<b>\$ (98,096)</b>
<b>General Revenues:</b>				
Property taxes				16,324
State-shared revenues				68,196
Interest and investment earnings				4,196
Other				5,130
<b>Total general revenues</b>				<b>93,846</b>
<b>Change in Net Assets</b>				<b>(4,250)</b>
<b>Net assets - beginning of year</b>				<b>258,291</b>
<b>Net assets - end of year</b>				<b>\$ 254,041</b>

See accompanying notes to financial statements.

Mason Township  
Governmental Funds  
Balance Sheet  
June 30, 2004

	<u>General Fund</u>
<b>Assets</b>	
Cash and investments (Note 3)	\$ 219,716
Receivables:	
Receivable-other (Note 4)	-
Other governmental units:	768
Other (Note 4)	<u>10,511</u>
Total assets	<u>\$ 230,995</u>
<b>Liabilities</b>	
Accounts payable	\$ 875
Due to other funds	-
Due to other governments	460
Deferred revenue (Note 4)	<u>2,726</u>
Total liabilities	<u>4,061</u>
<b>Fund balances</b>	
Unreserved:	
Designated for Township Hall	101,642
General Fund	<u>125,292</u>
Total fund balances	<u>226,934</u>
 <b>Fund Balances - Total Governmental Funds</b>	 \$ 226,934
Elimination of due to and due from governmental funds	
Due to	768
Due from	(768)
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial financial resources, and are not reported in the funds.	
The cost of capital assets is	\$ 55,241
Accumulated depreciation is	<u>(28,134)</u>
	27,107
 <b>Net Assets of Governmental Activities</b>	 <u>\$ 254,041</u>

See accompanying notes to financial statements.

Mason Township  
Governmental Funds  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Year ended June 30, 2004

	<u>General Fund</u>
<b>Revenues</b>	
Taxes and penalties	\$ 16,324
State-shared revenues	68,196
Charges for services	650
Interest and rentals	4,196
Other	5,130
Total revenues	<u>94,496</u>
<b>Expenditures</b>	
Current:	
General government	55,162
Public safety	27,765
Public works	14,304
Recreation and culture	-
Capital outlay	2,801
Total expenditures	<u>100,032</u>
<b>Net changes in fund balances</b>	(5,536)
<b>Fund balances - Beginning of year</b>	<u>232,470</u>
<b>Fund balances - End of year</b>	<u>\$ 226,934</u>

See accompanying notes to financial statements.

Mason Township  
Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
Year ended June 30, 2004

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$	(5,536)
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Amounts reported for governmental activities are different because:

Government funds report capital outlays as expenditures;  
in the statement of activities these costs are allocated  
over their estimated useful lives as depreciation.

Depreciation expense	\$	(1,515)	
Capital Outlay		<u>2,801</u>	1,286

<b>Change in Net Assets of Governmental Activities</b>	\$	<u>(4,250)</u>
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See accompanying notes to financial statements.



Mason Township  
Fiduciary Funds  
Statement of Net Assets  
June 30, 2004

	Trust Fund- Pension Fund	Agency Fund Type (Property Tax Collection Fund)
<b>Assets</b>		
Cash	\$ -	\$ 768
Investments - as fair value	25,692	-
Due From other funds	-	-
	<hr/>	<hr/>
Total assets	25,692	<u><u>\$ 768</u></u>
<b>Liabilities</b>		
Accounts payable	-	\$ -
Due to other funds	-	768
Due to other governments	-	-
	<hr/>	<hr/>
Total liabilities	<hr/> -	<u><u>\$ 768</u></u>
<b>Net Assets - Held in Trust for Pension Benefits</b>	<u><u>\$ 25,692</u></u>	

See accompanying notes to financial statements.

Mason Township  
Fiduciary Fund  
Statement of Changes in Net Assets  
Year ended June 30, 2004

	Trust Fund- Pension Fund
<b>Additions</b>	
Contributions	
Employer	\$ 1,686
Investment earnings	910
	<hr/>
Total Additions	2,596
 <b>Deductions</b>	
Benefits	-
Administrative expenses	121
	<hr/>
Total deductions	121
 <b>Net decrease</b>	2,475
 <b>Net Assets Held in Trust for Pension Benefits</b>	
Beginning of the year	23,217
	<hr/>
End of the year	\$ 25,692
	<hr/> <hr/>

See accompanying notes to financial statements.

Mason Township  
Notes to Financial Statements  
June 30, 2004

**Note 1 - Summary of Significant Accounting Policies**

The accounting policies of Mason Township ("the Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the more significant policies used by the Township:

**Reporting Entity**

The Township is governed by an elected five member Township Board. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board (GASB) for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the Township's reporting entity, and which organizations are legally separate, component units of the Township. Based on the application criteria, the Township does not contain any component units.

**Government-wide and Fund Financial Statements**

The Government-side financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities. The Township does not have any business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a certain function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**Note 1 - Summary of Significant Accounting Policies (Continued)**

Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and severance pay, are recorded only when payment is due.

Property taxes, state-shared revenue and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when the cash is received by the Township.

The Township reports the following major governmental fund:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund.

Additionally, the Township reports the following funds:

The Pension Trust Fund accounts for the activity of the Township defined contribution retirement plan, which accumulated resources for pension benefit payments to qualified employees.

The Tax Collection Fund accounts for property taxes collected and disbursed to other taxing authorities by the Township as required by law.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers for goods, services or privileges provided and (2) operating grants and contributions. General revenue includes all taxes.

**Assets, Liabilities, and Net Assets or Equity**

**Bank Deposits and Investments** - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Mason Township  
Notes to Financial Statements  
June 30, 2004

**Note 1 - Summary of Significant Accounting Policies (Continued)**

**Receivables and Payables** - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between fund that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The taxpayers of the Township have their properties assessed as of December 31 and the related property taxes are levied and become a lien on December 1 for 100% of the taxes which are due February 28. The 2003 taxable value of the Township was \$13,414,566. The 2003 tax levy was .9086 mills for general operating purposes raising \$12,180 for general operating purposes.

**Capital Assets** - Capital assets, which include land, buildings, equipment, and infrastructure assets (e.g., amounts paid to the Road Commission for the intangible right to use the roads), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$250 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of the donation. Infrastructure assets acquired prior to implementation of GASB 34 are not included in the financial statements.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Infrastructure	20 years
Buildings and additions	50 years
Vehicles	5 years
Office furnishings	5-20 years
Other equipment	5-20- years

**Compensated Absences** - There is no liability for compensated absences reported in the government-wide financial statements since no township employees are provided with sick or vacation pay benefits.

**Fund Equity** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriating or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. The Township has designated \$101,642 for future use for a Township hall.

Mason Township  
Notes to Financial Statements  
June 30, 2004

**Note 1 - Summary of Significant Accounting Policies (Continued)**

Comparative Data/Reclassifications - Comparative data is not included in the Township's financial statements.

Accounting Change - Effective July 1, 2003, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments (GASB No, 34). Changes to the Township's financial statements as a result of GASB No. 34 are as follows:

A Management's Discussion and Analysis (MD&A) section providing analysis of the Township's overall financial position and results of operations has been included.

Government-wide financial statements (statement of net assets and statement of activities) prepared using full accrual accounting for all of the Township's activities have been provided.

Capital assets in the governmental activities column of the statement of net assets includes assets totaling \$55,241 previously reported in the General Fixed Asset Account Group. Capital assets being depreciated at July 1, 2003 previously reported in the General Fixed Asset Account Group have been adjusted by \$1,500 to reflect historical cost of the Township's assets at that date.

The fund financial statements focus on major funds rather than fund types.

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted account principles and state laws for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Township adopt its budgets by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits Townships to amend its budget during the year. There were no budget amendments during the year.

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until the receipt of materials or services. For budgetary purposes, appropriations lapse at fiscal year end and outstanding encumbrances are reappropriated in the next year.

Mason Township  
Notes to Financial Statements  
June 30, 2004

**Note 2 - Stewardship, Compliance and Accountability**

**Excess of expenditures over appropriations in budgeted funds:**

The Township incurred expenditures in excess of amounts budgeted as follows:

<u>Fund and Function</u>	<u>Appropriation</u>	<u>Expenditure</u>	<u>Variance</u>
General:			
Public safety	\$ 18,000	\$ 27,765	\$ 9,765
Capital outlay	-	2,801	2,801

**Note 3 - Deposits and Investments**

Michigan Compiled Laws, Section 129.91 authorizes the Township to make deposits and investments in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Township is also allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Township Board has designated two banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investments in bank accounts and CDs, but not the remainder of State statutory authority as listed above.

The Mason Township's deposits and investment policy are in accordance with statutory authority.

At year-end, the Mason Township's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Township Total</u>
Cash and cash equivalents	\$ 219,716	\$ 768	\$ 220,484
Investments	-	25,692	25,692
Total	<u>\$ 219,716</u>	<u>\$ 26,460</u>	<u>\$ 246,176</u>

The breakdown between deposits and investments for the Township is as follows:

Deposits (checking, savings and CDs)	\$ 220,484
Investments	25,692
	<u>\$ 246,176</u>

The deposits of the Township were reflected in the accounts of two financial institutions, of which \$201,683 is covered by federal depository insurance.

The only investments are in the Pension Trust Fund. These investments do not allow risk categorization.

Mason Township  
Notes to Financial Statements  
June 30, 2004

**Note 4 - Receivables**

Receivables as of year-end for the Township's major funds and fiduciary funds in the aggregate, including applicable allowances of uncollectible accounts, are as follows:

Receivables:		General Fund
Other	\$	768
Intergovernmental		10,511
	\$	<u>11,279</u>

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Metro Act payment not considered available		
Totals	\$ -	\$ 2,726
		<u>2,726</u>
Total deferred revenue	\$ 0	<u>2,726</u>

**Note 5 - Capital Assets**

Capital assets activity of the Township's Governmental activities were as follows:

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
Capital assets not depreciated:				
Land	\$ 400	\$ -	\$ -	\$ 400
Capital assets being depreciated:				
Land improvements	-	2,801	-	2,801
Buildings	30,640	-	-	30,640
Furniture & equipment	21,400	-	-	21,400
Subtotal	<u>52,440</u>	<u>2,801</u>	<u>-</u>	<u>55,241</u>
Accumulated Depreciation				
Land improvements	-	156	-	156
Buildings	11,740	463	-	12,203
Machinery & Equipment	14,879	896	-	15,775
Subtotal	<u>26,619</u>	<u>1,515</u>	<u>-</u>	<u>28,134</u>
Net capital assets being depreciated	<u>25,821</u>	<u>1,286</u>	<u>-</u>	<u>27,107</u>
Governmental Activities				
Total Capital Assets net of Depreciation	\$ <u>25,821</u>	\$ <u>1,286</u>	\$ <u>0</u>	\$ <u>27,107</u>



Mason Township  
Notes to Financial Statements  
June 30, 2004

**Note 5 - Capital Assets (Continued)**

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
General government	\$ 1,172
Recreation and culture	343
Total governmental activities	<u>\$ 1,515</u>

**Note 6 - Receivables, Payables and Transfers**

The composition of interfund balances is as follows:

<u>Receivable Fund</u>		<u>Payable Fund</u>		<u>Amount</u>
General Fund	\$ 768	General Fund	\$	-
Fiduciary Funds	-	Fiduciary Funds		768
Total	<u>\$ 768</u>	Total	<u>\$</u>	<u>768</u>
 <u>Transfer In</u>		 <u>Transfer Out</u>		
None	<u>\$ 0</u>	None	<u>\$</u>	<u>0</u>

**Note 7 - Risk Management**

Mason Township is exposed to various risks of loss related to theft of , damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by insurance purchased from independent insurance companies. Settled claims from these risks have not exceeded insurance coverage for the last three years.

**Note 8 - Pension Plan**

Mason Township has a defined contribution plan for employees other than elected officials or part-time workers, through Manulife. A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of these contributions, and forfeitures of other participant's benefits that may be allocated to such participant's account.

The Township pension plan agreement specifies which Township positions are covered by the plan. Contributions made by an employee and the Township vest immediately. An employee that leaves the employment of the Township is entitled to his or her account balance consisting of the employee and Township contributions, as well as earnings in the account. The Township contribution rate is 15% of annual compensation.

Mason Township  
Notes to Financial Statements  
June 30, 2004

**Note 8 - Pension Plan (Continued)**

During the year, the Township's required and actual contributions amounted to \$1,937, which was 6% of its current year covered payroll plus fees. There were no employee voluntary contributions. Covered payroll was \$28,221. Total payroll was \$28,590.

Employer	\$ 1,686
Administration Fees	<u>251</u>
	<u>\$ 1,937</u>

No pension provision changes occurred during the year that affected the required contributions to be made by the Township or its employees. The plan held no securities of the Township or other related parties during the year or at the close of the fiscal year.

**Note 9 - Joint Area Fire Board**

Mason Township appropriates funds for fire protection and provides fire protection services through the Twining-Mason-Turner Fire Department. The Articles of Agreement creating the joint fire board are dated May 21, 2003. The Fire Board is comprised of two members each from Mason Township, Turner Township and the Village of Twining. The joint Fire Board was created to operate a fire department covering the Village of Twining, Mason Township and Turner Township areas. The contractual agreement is in effect for a term of two years starting June 19, 2003. Any party may withdraw without liability beyond their annual obligation as provided in the agreement. In the event the fire board should be terminated at the end of the contract, the fire trucks shall be returned to the Village of Twining.

Financial information for the Fire Board can be obtained from the Fire Board Secretary at the Turner Township Hall or by contacting a Mason Township board member.

## **Required Supplemental Information**

Mason Township  
 Budgetary Comparison Schedule - General Fund  
 Year ended June 30, 2004

	Budgeted Amounts		Actual Amounts	Variance with
	2004	2004	Budgetary	Final Budget
	Original	Final	Basis	Over (Under)
<b>Fund Balance - Beginning of year</b>	<u>\$ 224,267</u>	<u>\$ 224,267</u>	<u>\$ 232,470</u>	<u>\$ 8,203</u>
<b>Resources (Inflows)</b>				
Taxes and fees	16,800	16,800	16,324	(476)
State-shared revenues	65,500	65,500	68,196	2,696
Charges for services	1,500	1,500	650	(850)
Interest and rentals	1,400	1,400	4,196	2,796
Other	3,300	3,300	5,130	1,830
Amounts available for appropriation	<u>88,500</u>	<u>88,500</u>	<u>94,496</u>	<u>5,996</u>
<b>Charges to Appropriations (Outflows)</b>				
General government	273,267	273,267	55,162	(218,105)
Public safety	18,000	18,000	27,765	9,765
Public works	20,000	20,000	14,304	(5,696)
Recreation and culture	1,500	1,500	-	(1,500)
Capital outlay	-	-	2,801	2,801
Total charges to appropriations	<u>312,767</u>	<u>312,767</u>	<u>100,032</u>	<u>(212,735)</u>
<b>Fund Balance - end of year</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 226,934</u>	<u>\$ 226,934</u>